

Consultation Feedback – Financial Statement presentation

Question 7a – Description of the issue

Comment	Response
Comments from those that agreed	
In the UK, the form and content of financial statements (primary statements and notes) for companies and Limited Liability Partnerships is set out in detail by law, in secondary legislation (regulations). For non-specialist charities (depending on the charity law jurisdiction(s) they operate in and their legal form), the form and content of their financial statements is determined to varying degrees by law and through the Charities Statement of Recommended Practice (SORP) which an interpretation of Financial Reporting Standard 102 (applicable in the UK and the Republic of Ireland), which itself is based on the IFRS for SMEs. In practice, the form and content of the financial statements of non-specialist charities across the UK is driven by the Charities SORP, with some additional requirements for charitable companies that arise from company law. The importance of flexibility. Why is this important? It is therefore likely that the form and content of NPO financial statements, more than any other aspect of financial reporting requirements/ guidance, is determined by a country's laws and regulations. This means that the NPO Guidance will need to be sufficiently flexible to accommodate country requirements, as being too prescriptive could jeopardise the ability of NPOs to adopt the NPO Guidance or to state that they had adopted it.	Intent is for INPAG to be principles based to allow flexibility.
One point we note, is that in the consultation, there is the idea of requiring other statements such as the cashflow statement to be presented by fund. We do not believe that this should be proposed in the final consultation. We believe that the fund accounting proposed above, and the related disclosures, would provide stakeholders the information they need on donations with restrictions and that providing cash flows in addition would not provide any further useful information for stakeholders. Also, we are unsure that the preparers would have the time resource or expertise to complete this statement by fund. Therefore, our recommendation would be that this could be permitted, but not mandated.	Proposal 9 suggests that further consideration is given to additional disclosures by fund. These would not be mandatory.
I agree in general, there are statutory disclosures required by civil societies supervising Agency: Examples are disclosure of the composition of Program and admin expenditures	Noted
Yes, provide disclosure of material donor funding that the NPO provides to another entity to carry out projects/activities. Provide high level funding disclosure information such as: donor name, project, and amount as this information adds value to donors when looking at the NPO F/S. Another description of high-level information could include % of revenue for project from # of donors. Donor interest is to view all donations from various sources then a donor will know whether there is an overlap from other donors for the project/activity. For example, do not want to use one donor's money for another donor's cost sharing.	Proposal 9 suggests that further consideration is given to additional disclosures by fund.
The Issues described are real concerns around the NPO reporting. NPO's in nature have different stakeholders with different requirements. Secondly the going concern assumptions are important and a real concern to the NPO entities. We agree with the description of issue 7.	Noted
Comments from those that disagreed	
Fund accounting and project accounting are most useful for NPOs.	Proposal 9 suggests that further consideration is given to additional disclosures by fund.
Yes except the following; 1.1-Use of the word, "Economic decisions" may not auger very well in the NFP world given its intrinsic meaning. I would rather we use the word "Philanthropic decisions" so that we detach ourselves from some terminologies that refer more to FP entities. 1.4-The issue of varying donor information requirements can be solved by asking interested donors to finance their unique reporting requirements for separate/donor financial/audits reports to be produced. General comments	The use of the term 'economic decision' is noted and that other terms may be more or equally appropriate. However, it may still be relevant for NPOs to make economic decisions.

a) The overall issue is not hinged on a concept, framework, principles, or theory to help us assess how our guidance will align with that framework or principles. b) Our problem should not be limited to financial statements but rather to Accountability Statements as already argued before. c) There are quite a number of other issues in Africa that have not been considered at all, namely; Alignment of the NFP activities in a particular government agency/ministry to increase transparency or appear to align NPO activities with government rather than being seen as subversive; A note on funding sources, amounts, period etc.; Units of outputs to help readers know what exactly are the measurable outputs of NPOs; Inclusion of beneficiaries statements and pictures; Disclosure of an overhead allocation policy, governance, volunteers, risk management, etc. d) Another fundamental issue that has not been considered is the issue of comparative information. My contention is that whereas prior year figures could be included they are not as meaningful and relevant as budget figures	A number of the points raised will be addressed as part of narrative reporting and donor reporting is being considered as per proposal 9.
No - the hideously bureaucratic and complicated of full accruals reporting - treating capital assets as notional money - is totally inappropriate for the 80% of small charities in the UK with incomes less than £200K. Explaining how a charity uses its funds can be done MUCH ore simply and effectively by just keeping a simple register of assets (with a note of their deteriorating - ie: "depreciating" value if necessary) and leave small charities to answer specific (and more relevant/appropriate) queries from donors as required. In the UK at least - over-focus on the value of capitalised assets to the exclusion of non-capitalisable assets (eg: the non-money contributions of time and expertise by volunteers) completely misses the point about the fundamental essence of charity. If Small Charity Support were to charge for its services none of its intended beneficiaries would be able to afford it (and many other small charities are in the same position). All the international financial reporting standards I have seen work on the presumption that the ultimate demonstration of "value" is the "profit" that an organisation generates. On that basis all charities should just give up and go away.	Whilst INPAG maybe useful for all non-profit organisations, it is not intended for very small charities. INPAG will not have a focus on profit.
There is far too little recognition of the interest of beneficiary groups as stakeholders. They have particular interests and rights to information, but limited skills and resources to interpret and understand it.	Noted. The intention is for the Guidance to be proportionate and as simple as possible.
Comments from those that neither agreed or disagreed	
The adoption of IFR4NPO will result in complex reporting which will make it difficult for users in the NPOs sector to understand the jargon of reporting. There is need for workshops and seminars to educate the NPOs stakeholders and this can cause a rise in reporting costs to the NPOs. The IFR4NPO should articulate how the size of NPOS will affect reporting requirements and it might be necessary to stratify NPO reporting requirement by the size of the organisation based on levels of income.	Whilst INPAG maybe useful for all non-profit organisations, it is not intended for very small charities. Further activity is planned to communicate this message. The project is planning to provide training material alongside the publication of INPAG.

Question 7b – Are the list of alternatives exhaustive

Comment	Response
Comments from those that agreed	
However, we should also consider the medium for presenting financial statements. If they are presented electronically, it is easier to show aggregated results, which can then be drilled down to identify the disaggregated components. This would enable NPOs to present a large number of different funds, both showing each one separately and also the combined results.	Noted. The reporting entity is being considered separately. Also the principles behind the presentation of information in GFRs.
Comments from those that disagreed	
Earlier in our response we have raised the following two matters relevant to the presentation of financial statements: • Capital grants should be distinguished from revenue grants for presentation and disclosure purposes.	The naming and purpose of the financial statements is being considered in proposal 5. Example formats will be developed as part of proposal 8. This

• Consideration should be given as to how NPOs should report on transactions which have both an exchange and non-exchange element.	feedback will be considered in developing example formats.
From our point of view there is basic question related to presentation of financial statements. Most of the donors and general public (except for state agencies) don't require standard financial reports set by IFRS SME, other IFRS or IPSAS. Usually donors and general public are interested in information like follows: sources of income for NPO; "allocation schedule" of income (which sources of income had been used to fund particular projects or activities); structure of expenditure (in general) and for particular projects (how much was spent for salaries, rent, travel etc); remaining at the end of the period net unspent earmarked (and other) funding; share of restricted / unrestricted funds available for NPO at the end of reporting period with some explanations is it enough for the next period or not and what are the main gaps/risks etc. Only part of the items mentioned above are covered to any extent in this discussion paper. Necessity for NPOs to present a statement of comprehensive income; statement of changes in equity; statement of cash flows is not discussed into this discussion paper. Though these reports were initially intended to meet requirements of commercial companies shareholders and are hardly applicable to many NPOs and almost uninformative for users of NPOs financial reports. Development of IFRS4NPO could be a good moment to put forward the question about basic list of financial reports to be produced by NPOs	Example formats will be developed as part of proposal 8. This feedback will be considered in developing example formats. Proposal 9 suggests that further consideration is given to additional disclosures by fund, and this could be extended to projects by those NPOs that choose to do so.
I would partly agree with alternative no.3 only that whereas accounting is guided by fundamental accounting policies and concepts, the discussions do not refer to any concept as a criteria for the alternatives being given. The principle of understandability of financial statements, the principle of disclosing useful information that will meet user information needs that will help them make decisions would be a good reference point or criteria for the suggested improvements we want to make on the financial statements. Another shortcoming is that it is hinged on IFRS for SMEs yet my argument is that IFRS framework and intention was to tone down the full IFRS by making it less cumbersome to apply but not to take care of NPO unique needs. I also argued that using the existing frameworks is similar to constructing a strong house on a weak foundation-Why don't we build a new foundation anchored on the fundamental principles/precepts of stewardship, accountability, transparency, donor dependency and stakeholder. These theories are merely mentioned but their underlying concept/precepts and how they are being addressed in our guidelines have not been discussed anywhere to help us align our proposals/suggestions to those requirements.	Concepts and pervasive principles are being developed that reflect the nature of NPOs, the users of NPO GPFRs and their needs.
Australia does not have mandated fund accounting or mandated disclosure on the income statement for restricted vs unrestricted funds. Australia has some disclosures around restricted cash held.	Noted
Disagree - No - see the example spreadsheet on the Small Charity Support website which provides a clear and unequivocal "proof of concept" that "simple is beautiful" can, and does, work in practice.	We will consider this example as part of developing example financial statements under proposal 8, while noting that the example uses cash accounting
I see a fourth alternative with a blending of Alternative 1 (IFRS or IPSAS plus disclosure of reserves policy and in addition prepare supplementary fund/project statements for material funds/projects. IFRS for SMEs is still with business orientation and may not address most of the NGOs, though IFRS for SMEs works for some of the non-NGO NPOs	Concepts and pervasive principles are being developed that reflect the nature of NPOs, the users of NPO GPFRs and their needs.
The more alternatives that are considered, the less usable the financial statements will be. We need to remember the skills and understanding available in small and medium-sized NPOs, among desk officers at donor agencies and among other user groups. My experience in the UK is that, while the SORP certainly provides lots of information that is susceptible to comparison and analysis, in is unintelligible to at least 95% of users. Understanding is not a function of the quantity of information, it is a function of simple presentation of appropriate information.	This feedback will be considered as part of developing example financial statements under proposal 8.

Question 7c – Advantages and disadvantages of the alternatives

Comment	Response
Comments from those that agreed	
Agreed. In particular, we would emphasise that, in our view, the additional fund/projects statements proposed by Alternative Treatment 3 would result in unnecessary complexity.	We are not proposing to mandate fund/project statements per proposal 9.
Comments from those that disagreed	
The requirement for fund accounting seems to be relevant to large organisations with numerous funds. It seems to be oriented towards international donors. The vast majority of NPO's tend to be small local organisations. I would think some threshold sizes should apply if this will be the standard. In other cases functional expense statements will suffice in addition to presentation of restricted and unrestricted funds.	We are not proposing to mandate fund/project statements per proposal 9.
The advantages are would best be understood if the precepts of the above theories are summarized after say international guidance The advantages and disadvantages do not include performance assessments which is one of the uses of financial statements In Africa, where many governments are suspicious of NFPOs being used as political spy covers and many have been closed or activities disrupted, it would be good to consider including information that minimizes such suspicion.	Noted
I do not see any easy way to define fund for global usage. What us a fund? In Australia, some NPOs promise along the lines that "100% of the funds raised will be spent on xxx campaign". So, possibly a campaign may be a fund. The problem with approaches like this is that the 100% spending promises can result in no funds being retained for running the NPO – so where does the NPO get its funds for running costs? I can also see problems if a fund was interpreted as a grant, and an NPO having hundreds of funds.	We are not proposing to mandate fund/project statements per proposal 9.
In the analysis of this issue, presentation of budget information is not indicated. IPSAS 24 requires this report to be included as one of the financial statements if the reporting entity published its budget. It is good to discuss whether this should be a mandatory or optional as stated by IPSAS 24.	This will be considered as part of narrative reporting.
See the example spreadsheet on the Small Charity Support website which provides a clear and unequivocal "proof of concept" that "simple is beautiful" can, and does, work in practice.	Noted per the above

Question 7d – Preferred alternative

Comment	Response
Alternative 1	
We consider that it is important that restricted income and expenditure be properly accounted for and disclosed. The proposed additional guidance, in alternative treatment 1, on optional extensions to presentation where, for example, restricted funds are material, would facilitate this whilst ensuring that income statements for smaller NPOs are not unnecessarily complex. We see no benefit in alternative 3. Reporting on material projects should be optional and not a requirement.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted. We are not proposing to mandate fund/project statements per proposal 9.
Our general view is that Alternative 1 is likely the best approach, although we believe that the choice of financial statement presentation alternatives depends, to a certain degree, on the answers reached for other issues, such as grant expenses and non-exchange revenue. We do not believe that all organizations should be compelled to use fund accounting, as it often results in more complex financial statements that readers find difficult to understand. We do believe, however, that at a minimum, organizations should differentiate between net assets that are available at the full discretion of the organization, whether internally restricted by the board for specific purposes, or unrestricted, and assets that are subject to donor or funder restrictions. We also think that if fund accounting is used, there must be clear guidance on ensuring that interfund receivables and payables are dealt with appropriately. For example, there is no point having an asset in the capital fund from the operating fund if the operating fund cannot discharge its liability. In our view, interfund assets and	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6).

liabilities should be eliminated to provide a useful view of the financial position of the organization as a whole.	
If financial statements are presented electronically, with my recommendations in SMC 7(b) above, Alternative 1 becomes feasible. If not, I recommend Alternative 3; otherwise, there is a risk that different donors require separate reports of their funds to be prepared and audited, this adding to the burden on NPOs.	We are not proposing to mandate fund/project statements per proposal 9.
Fund accounting could be overly onerous and complex. We have some individual government donors who request separate acquittal reports which may or may not need to be audited. This then gives flexibility to the donor but keeps the full financial report focused on the organisation as a whole.	We are not proposing to mandate fund/project statements per proposal 9.
I prefer alternative one, with presentation of unrestricted funds used for internal purpose. In our specific case, it is a must for NPOs (civil societies more specifically) to disclose the composition of their administration and program expenditure. Admin cost of civil societies (NGOs and others) should not exceed 20% of their annual revenue...Hence, donors are not the only key users of the financial statement of NPOs, but also regulatory bodies and their interest need to be addressed in the report.	Noted. In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted.
Alternative 2	
we support Alternative 2, which uses the IFRS for SMEs Standard and requires NPOs to use fund accounting. This approach draws on guidance from national requirements, specifically the use of fund accounting.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6).
• We are familiar with fund accounting in the UK and without clear proposals on a viable alternative approach, we support this approach for the NPO Guidance. • The reporting of reserves policies and performance against reserves policies should be dealt with in NPO narrative reports as these are not financial reporting matters. This includes the reporting of any element of 'free' reserves set aside by management for a specific purpose. • NPO's should be required to demonstrate, by way of a note to the financial statements, how they have calculated their 'free' reserves. The NPO Guidance should define 'free' reserves in its glossary of terms. Alternative 2 With this in mind (and in response to part of question 7d) we believe that the IFRS for SMEs should form the basis of guidance for NPOs on financial statement presentation. Therefore we support alternative 2. Fund accounting As a general point, the inclusion of fund accounting will have implications for comparative information. Under the UK's FRS 102 (which charities applying the Charities SORP must also comply with), comparatives must be provided unless these are specifically highlighted as not being required. Fund accounting has given rise to charities having to provide additional comparative information which has led to financial statements being lengthy and questions being raised about the value of some comparatives, especially as the previous year's financial statements are normally available. Therefore, we recommend that if fund accounting is introduced, that requirements to provide comparatives are clear and proportionate. One area where it may be appropriate to dispense with comparatives is the provision of comparatives for movements in funds, similar to the approach taken, for example, to the presentation of the property, plant and equipment in the notes (see Section 17 of the IFRS for SMEs). Reserves policy and calculating reserves Alternative 2 requires the disclosure of policies regarding the management of reserves. The management of reserves is a financial management issue rather than a financial reporting issue and we believe that where an NPO has a reserves policy that it should be set out in the NPO's narrative report. It is not the place of guidance on financial reporting to require NPOs to have a reserves policy, even though it is highly desirable that they have one. Some NPOs may not have reserves. It is important that guidance on disclosing a reserves policy is worded so that it is understood that there is a difference between having a policy of not holding reserves, not having a policy on holding reserves and not having reserves.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to require comparative information as set out in proposal 6 We are considering reserves policy as part of narrative reporting. This feedback will be considered as part of developing example financial statements under proposal 8.

We are supportive of NPOs having to calculate their 'free' reserves, i.e. those reserves available to spend at their own discretion, within the bounds of their founding documents or the applicable law. There are several different approaches available to presenting this calculation, for example: • A disclosure in the narrative report where the policy on holding reserves and performance against that policy is reported. • A note to the financial statements. • A primary financial statement, perhaps combined to include funds as well as reserves. • Disclosure at the bottom of the statement of financial position. • Presentation as part of the statement of financial position. Perhaps the approach which would fit best with limiting undue specialisation would be to include a note to the financial statements. Care will need to be taken to ensure that the note is sufficiently prominent. If NPOs are required to document their policy on holding reserves, if they have one, and their performance against that policy in their narrative report, then the calculated reserves figure will also be included in that narrative report: this may provide a suitable level of prominence. In addition, any funds set aside by management for a specific purpose should be disclosed and explained in the narrative report rather than the financial statements. (This point specifically addresses part of question 7d). We recommend that a definition of 'free' reserves is included in the NPO Guidance and that guidance is provided on how to calculate these. The consultation paper refers to unrestricted reserves. This could be a conflation between unrestricted funds and 'free' reserves as there will likely be reconciling items to take into consideration when calculating 'free' reserves from unrestricted funds, for example, property, plant and equipment not held in a restricted fund. There is a general point to be made here about the use of terms and the importance of defining these in a glossary.	
We support alternative 2 because we support using the IFRS for SMEs as the basis for the guide. We also support the proposed use of fund accounting to present the split between restricted and unrestricted income on the face of the income statement.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6).
Preparing supplementary individual fund/project statements for material funds would be costly and time consuming, but also, we believe it would detract from the other important information in the financial statements by swamping them with other information. Where donors require financial information in relation to their donation or grant, these tend to be requested separately anyway and can be audited where necessary. Therefore, we don't believe these should be mandated in the financial statements.	We are not proposing to mandate fund/project statements per proposal 9.
Alternative 2 looks preferable while Alternative 3 seems to be too complicated for implementation into small and medium size NPOs.	We are not proposing to mandate fund/project statements per proposal 9.
Alternative 2 - provides an overview of extent to which organisation has complete control over funds and how they can be used	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted.
Alternative 2 as it builds on the existing presentation with focus on fund accounting.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6).
Alternative 2. From all 3 alternatives, I found the benefits meet most of the needs for the user of the financial statements, while the disadvantages are something that are on the manageable level.	Noted
Alternative 2 provides necessary information without being overly onerous for the NPO.	Noted
Alternative 3	
ICPAU favours Alternative 3 which proposes the use IFRS for SMEs Standard and a requirement for NPOs to use fund accounting in the preparation of the financial	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted,

statements, disclosure of reserves policy and in addition prepare supplementary fund/project statements for material funds/projects. However, there is a challenge in disclosure of reserve policy which at times has in many cases brought conflicting reactions amongst stakeholders. Some Donors have been seen investigating the growths in organisational reserves as they assume it's a lucrative way of swindling their money. Also, we believe that the preparation of a supplementary statements should be optional. Guidance on form and content would provide consistency, while each organisation could balance the cost / benefit of doing so in their own context.	and to permit but not mandate full fund accounting (per proposal 6). We are considering reserves policy as part of narrative reporting. We are not proposing to mandate fund/project statements per proposal 9.
Alternative 3 is best. And all accounting should be cash. Cash-based project accounting should be considered.	INPAG is being developed as an accruals-based set of guidance. We are not proposing to mandate fund/project statements per proposal 9.
We favour alternative 3 because it is built on IFRS for SMEs but also gives an opportunity to include fund accounting or any other disclosure that may be required by NPOs stakeholders; and therefore, would boost acceptability of the Guidance.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to mandate fund/project statements per proposal 9.
We favour Alternative 3. The compliance costs associated with the preparation of special purpose financial report and separate assurance reporting on them can be disproportionate to their value, hence if funders are willing to accept supplementary fund/project statements as part of the statutory financial statements this would be a clear benefit. Should that not be possible then the cost of doing this may be a barrier. The adoption of fund accounting however we consider to be essential in order that there is clarity over the stewardship of funds over which there are restrictions as well as clarity regarding the free reserves position of the NPO at the year end. We consider it is important for stakeholders to be clear where there are limitations concerning the use of certain of the NPOs reserves. Since the appropriate use of restricted funds derives from limitations imposed by donors, and results in a legal obligation on the NPO to follow, and not only from a financial reporting requirement alone, we consider that fund accounting is just an extension of the underlying requirement for accountability for such funds. Accordingly it should not be an excessively onerous obligation to follow. Furthermore we consider it necessary to identify fund restrictions for both income and endowment funds. Also our experience is the need for fund accounting for financial reporting purposes, reinforces the need for NPOs to account for and control the use of restricted funds correctly. We consider there is no need to extend fund accounting requirements beyond the income statement and the statement of financial position, for example to be included in a statement of cashflows. Similarly we consider that it is reasonable for disclosure of individual funds to be done only for material funds, and aggregation of smaller funds that are similar in nature is appropriate. Experience of NPO financial reporting before there was a requirement for clear fund accounting suggests there is a risk of reserve accounting if it is not a requirement and a lack of clarity regarding financial performance. For this reason we would not support the deferral method of accounting for fund which are externally restricted. Disclosures concerning the NPO's policy on reserves are helpful to stakeholders in understanding the standards of financial management that exist.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to mandate fund/project statements per proposal 9.
I will go with alternative 3 as it has the potential to meet the reporting needs of most Donors. It also gives additional information which could be very useful for stakeholders. This will also help users to see how unrestricted reserves are managed	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to mandate fund/project statements per proposal 9.

Fund accounting is necessary and the requirements for major donors should be considered. In our opinion, in an NPO, accountability is the most important thing. Disclosures should not be released. A minimum level of disclosure should be required. A model of notes to the financial statements with minimum levels of disclosure may be necessary in the guidelines that are issued.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to mandate fund/project statements per proposal 9. This feedback will be considered as part of developing example financial statements under proposal 8.
We favor alternative 3. The reason is that alternative 3 provides supplementary donor or project statements for material funds or projects. And will be best suited to meet reporting need of major donors. Specific donor requirements and supplementary information and specific project reports can be provided. This will assist in identifying different projects and its requirements. The specified nature of the stakeholders require specialized reporting.	We are not proposing to mandate fund/project statements per proposal 9.
Alternative 3 - donors needs are met	We are not proposing to mandate fund/project statements per proposal 9.
Alternative 3 - Since it provides guidance on additional information to meet stakeholder (donors) needs. With coordinated outreach with donors, efforts to assist with formats for 'supplemental information/schedules' could be undertaken with the purpose producing this information from the NPOs 'general purpose financial statement'. As an example, USAID recently revised it financial audit guide policy for non-U.S. recipients to prepare a 'Schedule of Expenditures of USAID Awards' which is changed from the prior USAID term of "Fund Accountability Statement" (see ADS 591maa USAID Financial Audit Guide for Foreign Organizations (p.50 template example)) Also, it would be useful for NPOs to disclose an explanation on the purposes for which the cash balances (reserves) are held so the reader of the financial statements does not misinterpret the financial statements. Being transparent about the purpose of accumulations can assist a NPO in demonstrating its stability and effectiveness to funders, other key stakeholders, and the public. Also, it would assist to understand whether an NPO considers managing reserves as an important aspect of the overall financial management (good NPO governance). In line with good governance and proper risk management, an NPO should demonstrate its appropriate level of reserves for its circumstances, as well as a strategy for building or spending its reserves in a way that is consistent with its purpose.	We are not proposing to mandate fund/project statements per proposal 9. Guidance such as that issued by USAID will be useful in the proposed discussions with the Donor Reference Group. We are considering reserves policy as part of narrative reporting.
Alternative option	
Both Alternatives 1&2 could work: *Alternative 1: since consistent with key International Accounting Standards frameworks (IFRS and IPSAS) and provides the option to include supplementary information as needed for key donors. *Alternative 2: since more aligned to the NPO reporting standards and allows for stakeholder guidance to be provided. It presents a more flexible option to stakeholders who may be willing to pay for the additional cost related to additional information as a result of additional guidance requested.	We are not proposing to mandate fund/project statements per proposal 9.
Alternative 2 if applied to larger organisations using some criteria with Alternative 1 for smaller. If a single standard is applied then Alternative 1. Reason is cost/benefit recognising that the vast majority of NPO's are small, local organisations.	Noted
My alternative treatment would be a complete paradigm that shifts its focus from finance to holistic reporting that meets the various needs, addressed the fundamental objective of performance/result oriented/based reporting and is backed by fundamental performance evaluation principles/theories. My research explored many of these theories such as the agency theory, institutional theory, resource dependency theory, accountability theory, stewardship theory, stakeholder theory,	Given the time and resource constraints of the project it will not be possible to create a new suite of standards for NPOs. The types of reporting identified here will be considered as part of the developments for narrative reporting

communication theory and concluded that the accountability theory was the common denominator in all the theories. My research concluded thus; □ That it would be good to establish, Not for Profit-Accountability Framework (NPAF, Not for Profit-Accountability Standards (NPAS), Not for Profit-Accountability Reporting Standards (NPARS). □ That the reports would include; Fiscal Accountability Report, Fiduciary Accountability Report, Procedural Accountability Report, and a Strategic Accountability Report. The content of each of the four reports would be defined based again on the objectives of NFP organization, user needs, and to facilitate performance evaluation. What we are considering now would be the Fiscal/Financial Accountability Report. The desired alternative would consider the additional information mentioned under 7a	
I suggest that it be optional on providing the suggested disclosures of funds , restricted vs unrestricted. I also suggest including some guidance – similar to the private sector on segments. In the private sector there is guidance on selecting segments. There are also requirements on disclosures on how segment results are determined, and that they be reconciled to the statutory result.	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to mandate fund/project statements per proposal 9 and will consider the principles behind segmental reporting in developing any guidance.
In respect of issue 7, financial statement presentation: We support the approach as set out in Alternative 1 which allows discretion for reporting on a nature or function basis. Where charities have significant complexity (in reality probably related to size) the expenditure should be classified by function. The reason being that this links the expenditure directly to charity's activities in support of their charitable purpose. In line with the SORP, we support Alternative 3 in respect of fund accounting. Where under some jurisdictions it is important to report on a deferred income basis some flexibility in the standard will be required. Where a deferred income approach is used, a reconciliation to the funds approach should be included in the accounts. Flexibility to include additional grant specific disclosure which can be audited as part of the overall accounts should be included. We note that there is some discussion in the UK accounting community over the use of prior year comparatives for funds as required by the SORP, with some doubt being expressed as to the usefulness of these comparatives in providing a true and fair view	In line with proposal 2, we are proposing that aggregate revenue and expenses are split between restricted and unrestricted, and to permit but not mandate full fund accounting (per proposal 6). We are not proposing to allow deferral of unrestricted income per proposal 4. We are proposing that comparatives for funds are not required per proposal 6.
Alternative Option - see the example spreadsheet on the Small Charity Support website which provides a clear and unequivocal "proof of concept" that "simple is beautiful" can, and does, work in practice.	Noted per previous comment
Joint 1 and 3	Noted

Question 7e – Title should be the statement of financial performance

Comment	Response
Comments from those that agreed	
The NPO Guidance on financial statement presentation will need to be flexible so that country specific requirements can be met while still enabling NPOs to say that they have prepared their financial statements in accordance with the Guidance. This includes being able to use a different name for the 'statement of financial performance'. Regarding the consultation question on the use of the term 'statement of financial performance', we support the use of this term in the NPO Guidance. As NPOs are unlikely to have the choice, under the Guidance, between providing a statement of comprehensive income or an income statement, it makes sense to depart from the IFRS for SMEs' use of terminology in this instance. However, we recommend that the NPO guidance gives NPOs the flexibility to use different terms to describe their primary statements so that any local requirements can be complied with. (This point specifically addresses question 7e).	The need for flexibility given jurisdictional requirements is noted and will be reflected in the Guidance.

The use of statement of financial performance to describe the statement that contains an NPO's revenues and expenses is suitable; however, it can also alternatively be named the statement of surplus or deficit.	Noted. The term Statement of income and expenses is now being proposed
Whilst we do not consider financial "performance" is an appropriate measure for the societal or public benefit impact of a NPO we consider the term 'statement of financial performance' to be acceptable.	Noted. The term Statement of income and expenses is now being proposed
We have no strong views about this issue. The term, 'statement of financial performance' appears to work as well as any other options.	Noted
I think there is sufficient flexibility in having the term 'statement of financial performance', and allowing people to use the term 'income statement'. The major problem is dealing with OCI (other comprehensive income), than non-accountants do not have a clue about what you are referring to, or are likely to understand.	Noted. The term Statement of income and expenses is now being proposed. We are proposing not to include other comprehensive income as a separate statement
Yes I do agree as the NPO will not be operating as a revenue generating entity.	Noted
As an accountant I like the term, however it is not widely used outside of accounting. I think we should keep the term but work towards education of stakeholders.	Noted
I do agree with this term as it fits with the narratives of the other international standards	Noted
I think the term "statement of financial performance" express better the message of the report than statement of "deficit and surplus". The intention of the NPOs to convey via the report is all about their performance, not the arithmetic of surplus or deficit.	Noted. The term Statement of income and expenses is now being proposed.
Technically speaking the NPO should not have a profit =motive but financial performance is a good description to support the objective. The broader concept of financial performance means how you utilized your funds to achieve your objectives. So we agree.	Noted
We believe that the name Activity Statement is already known in many jurisdictions.	Noted. This was considered, but as we have had more support for the term Statement of income and expenses, this is now being proposed.
Comments from those that disagreed	
Not really happy with the name of the statement. These are social organisations where the bottom line is important but should not be the focus. I still prefer the term "Statement of Income and Expenditure" as stakeholders need to focus on both. For sustainability, NPOs need to make a surplus in the long-run, but there will be annual variations with occasional losses and stakeholders need to see that management has a sustainability policy so that ongoing surpluses are sufficient to keep the mission viable.	Noted. The term Statement of income and expenses is now being proposed.
Whereas 'statement of financial performance' is an apt description, we believe the term "statement of Income and expenditure" is more clear and better understood by all stakeholders including those with a non finance background. We also propose the alternative terms such as "statement of financial activities" or "statement of comprehensive income".	Noted. The term Statement of income and expenses is now being proposed. The statement of activities was considered, but as we have had more support for the term Statement of income and expenses.
It would be preferable to have income and expenditure statement to represent revenues and expenses. The NPO by its very existence does not exist for profit – financial performance therefore is a misleading term	Noted. The term Statement of income and expenses is now being proposed.
No. Statement of activities is more fit. This should be cash-based.	Noted. The term Statement of income and expenses is now being proposed. The statement of activities was considered, but we have had more support for the term Statement of income and expenses.
Personally I find the term vague and would prefer incoming resources and expenditures. I also find the connotation of performance inappropriate to the context.	Noted. The term Statement of income and expenses is now being proposed.
On the whole, the performance of NPOs is not measured on their financial surpluses as they are not generating returns for shareholders. The performance of the NPO is measured against meeting its charitable aims and objectives. So, whilst the financial information of a NPO is important, we believe it does not determine a NPOs	Noted. The term Statement of income and expenses is now being proposed. The statement of activities was considered, but

performance. We would recommend that more appropriate terminology would be Statement of Financial Activities, Statement of Income and Expenditure or Statement of Financial Accountability.	we have had more support for the term Statement of income and expenses.
"Statement of Financial Activities" may be a better term. This is because an NPO may receive significant funds in one financial year which are expended in a subsequent financial year. Income and expenditure are not matched in the same way as they are in a commercial organisation. Therefore the surplus or deficit of funds in a particular year is not an indicator of financial performance.	Noted. The term Statement of income and expenses is now being proposed. The statement of financial activities was considered, but we have had more support for the term Statement of income and expenses.
Names should be based on the intended objective, interpretation, meaning of the words. The word performance would imply the actual engagement, involvement, show, or production of something such as a play, sport, exam etc. That would rhyme very well with For-Profit entities whose ultimate goal is to make money. Financial performance would therefore be very suitable for them. However, the performance (results-output) of NFP entities is in the activities they carry out using finances. The alternative suitable name based on that argument would be; Financial Mobilization and Utilization Statement; Resource Mobilization and Utilization Statement; Income and Expenditure Statement; Receipts and Payments Statement etc.	Noted. The term Statement of income and expenses is now being proposed.
Charity ISN'T about financial performance, it's about social performance. Yes - a charity needs to be able to demonstrate that it has used donor's money wisely and effectively. But, at the end of the day, Not-for-Profit organisations are exactly that. Their job is to end up with all their money spent (and happy beneficiaries) not loads more money than they started with (profit) and happy investors.	Noted. The term Statement of income and expenses is now being proposed.
The term financial performance is good, but may lead for misunderstanding about the NPO ability to survive and sustainability. I rather go with Statement of Activities or Statement of Revenues and Expenses.	Noted. The term Statement of income and expenses is now being proposed. The statement of activities was considered, but we have had more support for the term Statement of income and expenses.
This is more accountancy-speak. What do 95% of users understand? We have a perfectly acceptable term that is known globally - income and expenditure. Remember the users!	Noted. The term Statement of income and expenses is now being proposed.